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6 UNITED STATES DISTRICT COURT
7 WESTERN DISTRICT OF WASHINGTON
8 AT SEATTLE

9 GT DEVELOPMENT CORPORATION,

10 No. C04-0451Z

11 Plaintiff,

12 v.
13 ORDER

14 TEMCO METAL PRODUCTS COMPANY,

15 Defendant.

I. Background

16 U.S. Patent No. 4,886,089 (“the ‘089 patent”) relates to venting valves for liquid
17 tanks, such as fuel tanks. See Complaint, docket no. 1, Ex. A ('089 Patent). Plaintiff GT
18 Development Corporation (“GT”) has moved to dismiss their claims for patent infringement
19 with prejudice pursuant to Fed. R. Civ. P. 41(a)(2), following the April 28, 2005, hearing on
20 claim construction. See Minute Entry, docket no. 50.

21 The parties requested construction of six claim terms. See Stipulation re Claim
22 Terms, docket no. 33. Prior to the hearing, the Court presented the parties with Preliminary
23 Draft Constructions for each of the disputed claim elements. See Preliminary Draft
24 Constructions, docket no. 49. At the hearing, the parties agreed to the Court’s proposed
25 constructions for five of the elements. On the remaining element, Plaintiff GT disputed the
26 Court’s proposed construction, and Defendant Temco Metal Products Company agreed with

1 the Court's proposed construction. On May 2, 2005, the Court issued its Order on Claim
 2 Construction, docket no. 51.

3 As a result of the Court's Order on Claim Construction, Plaintiff GT has determined
 4 not to pursue this action further. See Plaintiff's Motion to Dismiss, docket no. 55, at 2-3.
 5 Plaintiff seeks (1) voluntary dismissal of GT's patent infringement action, with prejudice; (2)
 6 dismissal of Temco's declaratory judgment counterclaims for lack of jurisdiction; and (3)
 7 dismissal of Temco's claims for attorneys' fees under 35 U.S.C. § 285.

8 **II. Discussion**

9 **A. Motion to Dismiss under Fed. R. Civ. P. 41(a)(2).**

10 Plaintiff moves the Court to dismiss pursuant to Fed. R. Civ. P. 41(a)(2), and provides
 11 an unconditional Super Sack covenant. E.g., Super Sack Mfg. Corp. v. Chase Packaging
 12 Corp., 57 F.3d 1054, 1058 (Fed. Cir. 1995). A Super Sack covenant not to sue strips the
 13 Court of jurisdiction because there is no longer an actual controversy as required by Article
 14 III. Id. at 1057-58. Plaintiff GT has expressly promised that:

15 GT will unconditionally agree not to sue Temco for infringement as to any
 16 claim of the patent-in-suit based upon any product previously or currently
 manufactured and sold by Temco.

17 See Plaintiff's Motion to Dismiss, docket no. 55, at 5. Plaintiff's Motion to Dismiss under
 18 Fed. R. Civ. P. 41(a)(2) is also properly considered under Fed. R. Civ. P. 12(b)(1), by virtue
 19 of the Super Sack covenant. Plaintiff's Motion to Dismiss under Fed. R. Civ. P. 41(a)(2) is
 20 GRANTED. Plaintiff's claims for patent infringement are DISMISSED WITH PREJUDICE.

21 **B. Dismissal of Temco's Counterclaims.**

22 Plaintiff GT has provided Defendant Temco with a Super Sack covenant,
 23 unconditionally agreeing not to sue Temco for infringement of the patents-in-suit. Defendant
 24 Temco's counterclaims for invalidity and noninfringement are therefore DISMISSED
 25 without prejudice for lack of jurisdiction. See Super Sack, 57 F.3d at 1058-59. Temco does
 26 not object to this dismissal.

1 Temco's counterclaim for attorneys' fees under 35 U.S.C. § 285 is considered as part
 2 of this Order.¹

3 **C. Prevailing Party**

4 Although the Court imposes no terms or conditions on dismissal, the Court finds
 5 Defendant Temco is the prevailing party in this litigation. See Power Mosfet Tech., LLC v.
6 Siemens AG, 378 F.3d 1396, 1415-16 (Fed. Cir. 2004) ("[T]he dismissal of a claim with
 7 prejudice . . . is a judgment on the merits under the law of the Federal Circuit."). Whether
 8 Temco is a "prevailing party" is a matter of Federal Circuit law. Id. Defendant was
 9 successful on claim construction. The Court has granted Plaintiff's motion to dismiss its
 10 claims against Defendant with prejudice. Defendant Temco, "which had all claims against it
 11 dismissed with prejudice, is therefore [the] prevailing party." Id. at 1416.

12 **D. Basis for Attorneys' Fee Award under 35 U.S.C. § 285.**

13 Defendant urges the Court to allow for additional discovery and briefing on the
 14 question of its entitlement to attorneys' fees under 35 U.S.C. § 285. Plaintiff argues that
 15 "GT's motion for dismissal properly puts the attorneys' fees issue before the Court and
 16 requires Temco to present its attorneys' fees case." See Reply, docket no. 65, at 3. The
 17 Court agrees with Plaintiff that these issues are fully briefed and ripe for consideration.

18

19 ¹ Plaintiff argues that if the Court imposes an attorneys' fee award under 35 U.S.C. § 285
 based on an "exceptional" finding, GT will decline dismissal and proceed with the litigation.
 20 See Plaintiff's Motion to Dismiss, docket no. 55, at 6 n. 17 (citing Beard v. Sheet Metal Workers
Union, Local 150, 908 F.2d 474, 476 (9th Cir. 1990)). However, the Ninth Circuit Beard case
 21 deals not with an award of attorneys' fees in an exceptional case under § 285, but with an award
 of Fed. R. Civ. P. 41(a)(2) "terms and conditions" on voluntary dismissal. This Court imposes
 22 no "terms and conditions" on the Rule 41(a)(2) dismissal.

23 The Court's consideration here of attorneys' fees is pursuant to 35 U.S.C. § 285, and not
 24 Fed. R. Civ. P. 41(a)(2). Plaintiff has cited no authority that a party may provide a Super Sack
 covenant and motion for Rule 41(a)(2) dismissal, but decline the dismissal after an "exceptional"
 25 finding under § 285. Federal Circuit precedent indicates that a Rule 41 dismissal, and an inquiry
 into the "exceptional" nature of the case, are properly undertaken as separate inquiries. See generally Cambridge Products, Ltd. v. Penn Nutrients, Inc., 962 F.2d 1048, 1049-51 (Fed. Cir.
 1992) (separate consideration of Rule 41(a)(2) and § 285 attorneys' fees). The Court determines
 26 that Plaintiff may not condition its Rule 41 dismissal on the Court's second and subsequent
 factual inquiry under 35 U.S.C. § 285.

1 An award of attorneys' fees in patent cases is premised on statutory authority:

2 **§ 285. Attorney Fees.**

3 The court in exceptional cases may award reasonable attorney fees to
4 the prevailing party.

5 35 U.S.C. § 285. In patent infringement cases, a determination whether to award attorneys
6 fees to the prevailing party involves a two-step process. Forest Laboratories, Inc. v. Abbott
7 Laboratories, 339 F.3d 1324, 1327 (Fed. Cir. 2003). First, the Court must determine whether
8 the prevailing party has proved by clear and convincing evidence that the case is
9 “exceptional.” Id. This is a factual determination made by the district court. Second, if the
10 Court finds the case to be exceptional, it must then determine whether an award of attorneys
11 fees is appropriate. Id. at 1328. The Federal Circuit has identified as “exceptional” those
12 cases involving (1) inequitable conduct before the Patent Office, (2) litigation misconduct,
13 (3) vexatious, unjustified, and otherwise bad faith litigation, or (4) a frivolous suit or willful
14 infringement. Id. at 1329. “A frivolous infringement suit is one which the patentee knew or,
15 on reasonable investigation, should have known was baseless.” Stephens v. Tech Int'l, Inc.,
16 393 F.3d 1269, 1273-74 (Fed. Cir. 2004) (“[T]he pertinent inquiry is whether [plaintiff]
17 knew or should have known that it could not successfully assert the [patent-in-suit] against
18 [defendant] but pursued its infringement claim anyway.”).

19 The Court is cognizant of the limited circumstances in which an award of § 285
20 attorneys' fees is appropriate. See Mach. Corp. of Am. v. Gullfiber AB, 774 F.2d 467, 472
21 (Fed. Cir. 1985) (“It is not contemplated that the recovery of attorney's fees will become an
22 ordinary thing in patent suits”) (internal citation omitted). The plain language of the statute
23 states that attorneys fees may only be awarded in exceptional cases. 35 U.S.C. § 285.
24 Plaintiff argues that not a single exceptional circumstance is “even colorably” present here.
25 The Federal Circuit has observed that an award of attorney fees under § 285 is limited to
26 circumstances in which it is necessary to prevent “a gross injustice” to the accused infringer.
See Mach Corp., 774 F.2d at 472. This Court agrees with Plaintiff that the American Rule

1 does not ordinarily permit an attorneys' fee award. Section 285 and Federal Circuit
 2 precedent contemplate an award of fees only where litigation conduct or related activities are
 3 exceptional. Defendant Temco asserts various grounds for finding this case "exceptional"
 4 under 35 U.S.C. § 285.

5 **1. Infringement basis.**

6 "The filing and maintaining of an infringement suit which the patentee knows, or on
 7 reasonable investigation should know, is baseless constitutes grounds for declaring a case
 8 exceptional under 35 U.S.C. § 285 and awarding costs, attorney fees, and expenses to the
 9 accused infringer." Eltech Systems Corp. v. PPG Industries, Inc., 710 F. Supp. 622, 636
 10 (W.D. La. 1988); see also Forest Laboratories, 339 F.3d at 1329 ("[E]xceptional" cases are
 11 those involving inequitable conduct before the Patent Office; litigation misconduct;
 12 vexatious, unjustified, and otherwise bad faith litigation; a frivolous suit or willful
 13 infringement.). A frivolous infringement suit is one which the patentee knew, or on
 14 reasonable investigation should have known, was baseless. Stephens, 393 F.3d at 1273-74.
 15 Defendant Temco asserts that no person of reasonable skill in the art could conclude that
 16 Temco's full-function vent infringes any claim in the '089 Patent. Defendant Temco asserts
 17 that Plaintiff's claims of infringement were baseless.

18 During claim construction the Court did not look at the accused device, or compare
 19 the accused device to the asserted claims of the '089 Patent. However, as part of Plaintiff's
 20 Motion to Dismiss, the Court has reviewed photographs of the accused device in various
 21 stages of function, as relied upon by Plaintiff and its expert in their Reports, and during the
 22 pendency of this litigation. See, e.g., Milestone Decl., docket no. 63, Ex. A, at 12-13. The
 23 photographs of the accused device submitted by the Plaintiff in Reply support the
 24 Defendant's arguments that the infringement claims were baseless. For example, claim 1 of
 25 the '089 Patent includes a limitation with regard to the valve element, the hole, and the post:

26 . . . said valve element, said hole, and said post being dimensioned to
 permit the valve element to pivot freely, without bending, on the post about

1 an axis that extends perpendicularly through the post, to cause the valve
2 element to act like a lever and increase the effective weight of the float to
3 overcome vapor pressure in the chamber and unseat the valve element
4 when said liquid level falls.

5 See '089 Patent, Ex. A to docket no. 1, at 11:15-22. However, in spite of the
6 requirement that the post be dimensioned to allow the valve element to "pivot freely,
7 without bending, on the post," photos of the accused device clearly and unmistakably
8 indicate that the valve element does not "pivot freely, without bending, on the post."

9 See Milestone Decl., docket no. 63, Ex. A, at 13 (valve element photo). The photo is
10 accompanied by a description which misdescribes the valve element configuration
11 depicted:

12 ... it is evident that the dimensions of the Temco 90-03550 valve element,
13 the hole, and the post permit the valve element to pivot freely, without
14 bending, on the post about an axis that extends perpendicularly through the
15 post.

16 Id. at 13, col. 2. The picture shows a valve element with flexible characteristics in a
17 substantial state of "bending." Moreover, the bending of the valve element unmistakably
18 does not occur about an axis that extends perpendicularly through the post. GT's Principal
19 Engineer, Alan Forsyth, admitted this in his deposition:

20 Q: ... is it your contention that the Temco valve element pivots
21 about the post?

22 A: It pivots around the corner—the corner, which is equivalent.

23 Stride Decl., docket no. 61, Ex. 14 (Forsyth Dep. p. 31, ln. 11-16). In addition, Mr. Forsyth
24 and Mr. Bozich, GT's President, conceded at their depositions that nobody at GT conducted
25 any tests to observe how the valve element unseated from the valve opening prior to the
26 filing of this lawsuit. See id., Ex. 14 (Forsyth Dep., p. 83, ln. 1-8), Ex. 11 (Bozich Dep., p.
27 74, ln. 7-12; p. 83, ln. 25 - p. 84, ln. 17). Mr. Forsyth admits that he had the allegedly
28 infringing "Temco vent" one month before this litigation was filed. See Fricke Decl., docket
29 no. 64, Ex. H (Forsyth Dep., p. 13, ln. 1-18).

1 Defendant also points to claim language in some asserted claims which requires a
 2 “substantially flat” valve element. See '089 Patent, Ex. A to docket no. 1, at 11:29-31.
 3 Professor Milestone’s analysis of the Temco valve element – a three dimensional “L” shaped
 4 valve element – concludes that it literally infringes the claimed “substantially flat” valve
 5 element.² Professor Milestone finds infringement because the valve element is comprised of
 6 multiple “substantially flat” faces. However, this conclusion would be true for any three-
 7 dimensional flat faced object (e.g. pyramid, cube, etc.) comprised of multiple substantially
 8 flat faces, even though the object could not reasonably be described as “substantially flat.”

9 Defendant Temco rightly challenges the underlying factual basis for the claimed
 10 infringement. The Court finds that Plaintiff’s allegations of infringement were not well-
 11 grounded in fact, and that a reasonable investigation should have revealed that Defendant’s
 12 device did not fit within the limits of the '089 Patent claims.

13 **2. Pre-filing investigation**

14 Defendant Temco challenges the adequacy of Plaintiff’s pre-filing investigation. In
 15 spite of the fact that Defendant Temco counterclaimed for attorneys’ fees, and repeatedly
 16 sought discovery of Plaintiff’s pre-filing investigative opinions, GT refused these discovery
 17 requests at every turn. Temco argues that the Court should strike Plaintiff’s declarations and
 18 materials because they were not produced in discovery, and because Plaintiff repeatedly
 19 indicated it would not rely on those materials.

20 During the pendency of this litigation Plaintiff GT refused to produce its pre-filing
 21 investigative materials; it now seeks to rely on those still unproduced materials in its Motion
 22 to Dismiss. GT refused Temco’s requests for these documents on privilege grounds, see
 23 Stride Decl., docket no. 61, Ex. 5, and instructed its witnesses not to answer questions
 24 regarding the substance of the pre-filing investigation of Temco’s products, and infringement

26 ² Professor Milestone was not engaged as an expert witness until after Plaintiff GT filed
 this lawsuit. See Denkenberger Decl., docket no. 57, ¶ 8.

1 of the '089 Patent. See id., Ex. 11 (Bozich Dep., p. 36, ln. 25 - p. 37, ln. 10; p. 37, ln. 11-18;
2 p. 39 ln. 2-11; p. 79 ln. 25 - p. 82, ln. 8). Only when GT agreed not to introduce evidence of
3 its pre-filing investigation and opinions to rebut Temco's claims for attorneys' fees under 35
4 U.S.C. § 285 did Temco agree not to compel production of those documents and answers to
5 deposition questions. See Stride Decl., docket no. 61, ¶ 19. Temco argues that GT uses the
6 privilege as both a sword and shield, claiming attorney-client privilege when expedient, but
7 disclosing partial information in a conclusory fashion for the purposes of these motions.

8 Plaintiff alleges that the Court's inquiry under 35 U.S.C. § 285 is different from the
9 introduction of evidence at trial, and that GT should not be barred from relying on its pre-
10 filing investigation to establish that this case was not "exceptional." However, even if the
11 Court denied Temco's request to strike GT's pre-filing investigation declarations, the
12 declarations do not reveal the technical or legal basis for the pre-filing investigation. As in
13 Eltech Systems, "[this] Court has no basis for assessing the reasonableness of the advice
14 [given by counsel] nor the reasonableness of plaintiff's reliance upon it." 710 F. Supp. at
15 637-38. The Court and the Defendant have been deprived of the opportunity to assess the
16 reasonableness of the pre-filing investigation and determine whether the opinion was well
17 founded either in fact or in law. See id. at 638. Plaintiff was given every opportunity to
18 waive the privilege with regard to its pre-filing investigation, and was aware of Temco's
19 counterclaim for fees under an "exceptional" case theory. GT continues to assert the
20 privilege, and therefore cannot rely on the facts of its investigation to establish this case is
21 not "exceptional."

22 Even if the Court were able to consider GT's pre-filing investigative materials (which
23 have not been produced to the Court or to Temco), these materials would not be helpful to
24 Plaintiff. The Court has considered Plaintiff's expert report, Milestone Decl., docket no. 63,
25 Ex. A, and finds the claim analysis conclusory, and evidencing a disregard for the obvious
26 facts surrounding the alleged infringement of the accused device, and the claimed invention
of the '089 patent. It is evident to this Court and to GT's Principal Engineer, Alan Forsyth,
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1 that the Temco valve element pivots around the corner of the post. Stride Decl., docket no.
 2 61, Ex. 14 (Forsyth Dep. p. 31, ln. 11-16). It should have been obvious to Plaintiff GT that
 3 these claims for infringement were without merit.

4 Lastly, the testimony of GT's President, Mr. Bozich, indicates that he relied only on
 5 the oral advice of counsel that there was an infringement of the '089 Patent. See Stride
 6 Decl., docket no. 61, Ex. 11 (Bozich Dep., p. 37, ln. 16). Mr. Bozich did not consider the
 7 chances of prevailing when filing this lawsuit. Id. (Bozich Dep., p. 38, ln. 13-15). Mr.
 8 Bozich did not have an understanding of the chances of prevailing when he made the
 9 decision to bring the lawsuit. Id. (Bozich Dep., p. 38, ln. 16-18). Mr. Bozich did not have
 10 any understanding of how the Temco full-function vent infringed the '089 Patent. Id.
 11 (Bozich Dep., p. 38, ln. 20-22). Mr. Bozich did not have an understanding of the invention
 12 of the '089 Patent. Id. (Bozich Dep., p. 38, ln. 23 - p. 39, ln. 1). Lastly, Mr. Bozich never
 13 received, saw, or reviewed a written opinion from patent counsel regarding infringement of
 14 the '089 Patent from counsel, prior to filing the Complaint for infringement. Id. (Bozich
 15 Dep., p. 39, ln. 16-25). Plaintiff's vague reliance on non-disclosed oral advice from counsel
 16 is similar to the circumstances described in Eltech Systems:

17 The Court has considered the fact that [plaintiff] defends its conduct on the
 18 ground it was acting on oral advice of counsel when it authorized the filing
 19 of the amended complaint. This defense must fail because [plaintiff] has
 20 not revealed the content of the oral advice, nor the technical or legal basis
 21 for it. It has withheld the only written technical report pertaining to the
 22 pre-filing investigation * * * [After defendant] made its prima facie case,
 23 plaintiffs put in nothing to rebut that case except to establish that [plaintiff]
 24 relied on vaguely described oral conversations with counsel. Under these
 25 circumstances, it was incumbent upon plaintiffs to reveal the technical and
 26 legal basis for orally given legal advice, to state what investigation had
 been made by [plaintiff's] attorneys, and to establish what technical
 information counsel had when it gave its advice. Without this evidence,
 the Court has no basis for assessing the reasonableness of the advice nor
 the reasonableness of plaintiff's reliance upon it.

27 710 F. Supp. at 637-38. Plaintiff GT made the tactical decision to withhold its pre-filing
 28 investigation because it believed Temco had not "produced one shred of evidence that it
 29 could bear its clear and convincing burden of proving 'exceptional case,' even if it were to

1 prevail at trial.” See Reply, docket no. 65, at 7. Even now, GT asserts the attorney-client
 2 privilege. The Court therefore STRIKES paragraphs 4, 5, 6, and 7, of the Denkenberger
 3 Declaration, docket no. 57. Even if the Court were to consider the Denkenberger
 4 Declaration, the Court finds it fails to include a technical or legal basis for the opinion, and
 5 presents conclusory allegations of proper investigation, which are insufficient to establish
 6 Plaintiff’s adequate pre-filing investigation activities.

7 **3. Representations to Temco Customers.**

8 Temco characterizes this lawsuit as a “strike” lawsuit, brought by a larger corporation
 9 against a smaller competitor for the sole purpose of securing the full-function fuel valve
 10 market for itself. As part of this litigation, Plaintiff GT sent numerous letters to customers of
 11 Defendant Temco, and caused harm to Temco’s business relations with its customers. For
 12 example, on March 9, 2004, GT sent a letter to Mr. Evan Traub of Jacobsen and Mosher
 13 Inc., threatening litigation for its sale of Temco’s gas venting valves. See Stride Decl.,
 14 docket no. 61, Ex. 19, at 1.

15 Also on March 9, 2004, GT sent a letter to Mr. Carlos Andrade of Freightliner
 16 Corporation, informing Freightliner (a customer of Temco) of its infringement allegations
 17 against Temco’s products. Id. at Ex. 19, at 2. Similar letters informing Temco customers of
 18 the litigation and infringement allegations were sent to Ms. Sarah Moriss, Freightliner
 19 Corporation, id. at Ex. 19, at 3; Mr. Alan Beddall, Kenworth Truck Company, id. at Ex. 19,
 20 at 4; Ms. Sandra Korb, PACCAR, id. at Ex. 19, at 5; Mr. Thomas Leffler, PACCAR PARTS,
 21 id. at Ex. 19, at 6; Mr. Steve Guterman, Purchasing Manager for Volvo Trucks NA, id. at
 22 Ex. 19, at 7; Ms. Jo Traub, Director North American Purchasing, Volvo Trucks, id. at Ex.
 23 19, at 8; Mr. Hans Roman, Supplier Development Mgr., International Truck, id. at Ex. 19, at
 24 9;
 25 Mr. Jeff Glowacki, Director of Supply Chain Mgmt., id. at Ex. 19, at 10; Mr. Tim Masek,
 26 President, Fuel Systems LLC, id. at Ex. 19, at 11; Mr. Larry Yonker, Director of Supply
 Mgmt, Fuel Systems LLC, id. at Ex. 19, at 12; Mr. David Morris, Supply Chain Manager,
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1 Fuel Systems LLC, id. at Ex. 19, at 13; Mr. Arthur Hill, Supply Chain Manager, Fuel
2 Systems LLC, id. at Ex. 19, at 14; Ms. Carol Shaver, Supply Chain Manager, Fuel Systems
3 LLC, id. at Ex. 19, at 15.

4 A patent holder with a “good faith belief that its patents are being infringed violates
5 no protected right when it so notifies infringers,” or others in the marketplace. See
6 Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700, 709 (Fed. Cir. 1992). What constitutes
7 bad faith is determined on a case by case basis. Zenith Elecs. Corp. v. Exzec, Inc., 182 F.3d
8 1340, 1354 (Fed. Cir. 1999). “Obviously, if the patentee knows that the patent is invalid,
9 unenforceable, or not infringed, yet represents to the marketplace that a competitor is
10 infringing the patent, a clear case of bad faith representations is made out.” Id.

11 The transmittal of these letters, based on claims of infringement that were without
12 merit, was not undertaken in good faith. Allegations were made against a smaller³
13 competitor, and “greatly interfered with Temco’s customer relationships, and cost Temco
14 business from customers and prospective customers.” See Bosch Decl., docket no. 60, ¶ 4;
15 see also Stride Decl., docket no. 61, Ex. 19, at 16.

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18 || D. Exceptional Finding.

An “exceptional” case must involve conduct or circumstances that are unusual or atypical. Garden variety discovery disputes, arguments over the reasonableness of claim

³ Temco emphasizes the relative sizes of the parties in making its case for bad faith communications with its customers. See Glaverbel Societe Anonyme v. Northlake Marketing & Supply, Inc., 45 F.3d 1550, 1558 (Fed. Cir. 1995) (“A purpose is improper if its goal is not to win a favorable judgment, but to harass a competitor and deter others from competition, by engaging the litigation process itself, regardless of the outcome.”). Plaintiff GT received confidential financial information from Defendant Temco in October of 1998 as part of a possible acquisition or joint venture. Id. at ¶ 5; see also Fricke Decl., docket no. 64, Ex. I (Bozich Dep., p. 42 ln. 14), and was aware that Defendant Temco was a significantly smaller corporation. Plaintiff’s litigation tactics caused Temco substantial harm, with litigation costs allegedly exceeding \$350,000, nearly equal to Temco’s total accumulated operating profit for the last five years. See Bosch Decl., docket no. 60, ¶ 6.

1 construction, and the general burdens of patent litigation are not grounds for an exceptional
2 finding. It follows that every prevailing party in a patent case is not automatically entitled to
3 an exceptional finding, nor should every patent case end with an “obligatory” motion for an
4 exceptional finding. Willful infringement, frivolous infringement lawsuits, inequitable
5 conduct, litigation misconduct, and vexatious, unjustified, or otherwise bad faith litigation
6 activities, are grounds for an exceptional finding. Conduct or litigation tactics that are
7 unduly oppressive and burdensome, and of questionable merit, may justify an “exceptional”
8 finding, and an award of attorneys’ fees, if gross injustice would result. Forest Laboratories,
9 339 F.3d at 1329.

10 The Court finds this case exceptional by clear and convincing evidence, pursuant to
11 35 U.S.C. § 285. Plaintiff’s claims of infringement were baseless, and Plaintiff had no
12 understanding of the infringement at the time it decided to bring this lawsuit, except for
13 vaguely referenced oral advice of counsel. Plaintiff’s claim construction position was
14 untenable, and its litigation activities unreasonably and unnecessarily affected the relations
15 of Defendant Temco and its customers, in a negative way. The costs of the litigation itself
16 had the effect of wiping out Plaintiff’s total accumulated operating profits for the last five
17 years.

18 The Court finds by clear and convincing evidence that Defendant Temco is entitled to
19 the full measure of its reasonable attorneys’ fees, expenses, and costs expended in this
20 litigation. That award is justified by the manner in which this suit was brought and
21 maintained, the baseless nature of the infringement claims, and Plaintiff’s litigation activities
22 during the course of this lawsuit. Defendant Temco shall submit a supplemental motion and
23 declaration documenting its attorneys’ fees and costs (redacted as appropriate) as basis for its
24 attorneys’ fees, costs, and expenses within 20 days of this Order. The motion shall be noted
25 for the third Friday pursuant to Local Rule 7(d)(3).

26 **III. Conclusion**

1. Plaintiff's Motion to Dismiss under 41(a)(2) is GRANTED in part, and DENIED in
2. part. Plaintiff's claims for patent infringement are DISMISSED WITH PREJUDICE.
3. Defendant Temco's counterclaims for invalidity and noninfringement are
4. DISMISSED without prejudice. The Court imposes no conditions on dismissal.
5. 2. Dismissal on the merits after prevailing on claim construction makes Defendant
6. Temco the prevailing party in this litigation.
7. 3. This case is exceptional under 35 U.S.C. § 285 for the reasons stated in this Order.
8. Defendant Temco is entitled to the full measure of its attorneys' fees, expenses, and
9. costs, as set forth in this Order.

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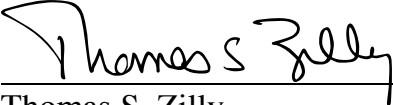
11 IT IS SO ORDERED.

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DATED this 1st day of July, 2005.

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Thomas S. Zilly
United States District Judge

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